

Message Text

UNCLASSIFIED

PAGE 01 RIO DE 01689 111543Z
ACTION ARA-14

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UNCLAS RIO DE JANEIRO 1689

E.O. 11652: N/A
TAGS: TBCH, BR
SUBJECT: TECHNOLOGY TRANSFER CONTRACTS APPROVED

REF: RIO A-14

1. DURING THE FIRST TWO MONTHS OF THIS YEAR, THE NATIONAL INSTITUTE OF INDUSTRIAL PROPERTY (INPI) REGISTERED 216 NEW CONTRACTS FOR TECHNOLOGY TRANSFER TO FIRMS INSTALLED IN BRAZIL. THESE CONTRACTS REPRESENT PAYMENTS OF US\$57.5 MILLION. THERE ARE STILL 266 CONTRACTS PENDING EXAMINATION BY INPI, OF WHICH THE MAJORITY REFERS TO THE METAL-MECHANICAL SECTOR (103 CONTRACTS), FOLLOWED BY THE CHEMICAL AND PETROLEUM SECTOR (39) AND AGROINDUSTR (25). INPI PRESIDENT UBIRAHARA CABRAL ESTIMATED THAT TOTAL 1978 APPROVALS WOULD REACH A LEVEL SIMILAR TO LAST YEAR: US\$226 MILLION.
2. INPI APPROVAL OF TECHNOLOGY TRANSFER CONTRACTS IS REQUIRED BY THE CENTRAL BANK BEFORE FUNDS CAN BE AUTHORIZED FOR PAYMENT TO FOREIGN SUPPLIERS. INPI ALSO HAS THE AUTHORITY TO ALTER THE TERMS OF THESE CONTRACTS, INCLUDING THE AMOUNT CHARGED FOR TECHNOLOGY. IN PERFORMING THIS FUNCTION, INPI HAS BEEN CRITICIZED FOR LONG DELAYS IN APPROVING PROJECTS, DUE PRIMARILY TO UNDERSTAFFING.
3. INPI IS ALSO STUDYING A RECOMMENDATION SPONSORED BY THE NATIONAL

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ASSOCIATION OF AUTOMOTIVE MANUFACTURERS (ANFAVEA) WHICH WOULD CREATE AN INCENTIVE SYSTEM ENCOURAGING LOCAL R AND D BY ALLOWING TAX DEDUCTIONS FOR THESE INVESTMENTS. COMMENT: SUCH A SYSTEM OF INCENTIVES WOULD BE OF GREAT BENEFIT TO ANFAVEA MEMBERS IN VIEW OF THE RECENT INPI REGULATION (ATO NORMATIVO N.O 30 -- SEE REFAIRGRAM) WHICH SEVERELY LIMITS THE TYPES OF TECHNOLOGY AND TECHNICAL ASSISTANCE AUTOMOBILE MANUFACTURERS WILL BE ABLE

TO PURCHASE FROM FOREIGN SOURCES. IF ATO N.O 30 IS APPLIED
TO OTHER INDUSTRIAL SECTORS, AS INDICATIONS HERE WOULD IMPLY,
THE DEMAND FOR INCENTIVES WOULD RISE AND, MOST LIKELY, U.S.
EXPORTS OF TECHNOLOGY TO BRAZIL WOULD DECLINE. (NOTE: BETWEEN
1965 AND 1977, BRAZIL PAID US\$2.4 BILLION FOR FOREIGN TECHNOLOGY,
WITH ROUGHLY 40 PERCENT OF THAT FIGURE PAID TO U.S. FIRMS).
DEXTER

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